

Washington, DC – American workers will begin receiving “Making Work Pay” tax credits Wednesday, Congressman Travis Childers (D-MS) announced. This provision of the American Recovery and Reinvestment Act will provide a refundable tax credit for 2009 and 2010 of up to \$400 for working individuals and \$800 for married taxpayers filing joint returns. The tax credit will benefit 95 percent of American workers, and an estimated one million Mississippi taxpayers.

Congressman Childers Announces Making Work Pay Tax Credit to Take Effect Tomorrow

March 31, 2009

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“This significant tax credit will provide much-needed, immediate relief during these tough economic times,” said Congressman Childers. “Many hard-working North Mississippians are facing cutbacks in hours and salaries, and this extra money will go directly in families' pockets to help them make ends meet.”

The Making Work Pay tax credit will be calculated at a rate of 6.2 percent of earned income and will phase out for taxpayers with adjusted gross income in excess of \$75,000, or \$150,000 for married couples filing jointly.

For people who receive a paycheck and are subject to withholding, the credit will typically be handled by their employers through automated withholding changes in early spring. These changes may result in an increase in take-home pay. The amount of the credit must be reported on the employee's 2009 income tax return filed in 2010. Taxpayers who do not have taxes withheld by an employer during the year can also claim the credit on their 2009 tax return.

It is not necessary to submit a Form W-4 to get the automatic withholding change. However, an employee with multiple jobs or married couples whose combined incomes place them in a higher tax bracket may elect to submit a revised W-4 to ensure enough withholding is held to cover the tax for his or her combined income.

To learn more about the Making Work Pay Tax Credit, visit the IRS online at <http://www.irs.gov/newsroom/article/0,,id=204447,00.html>

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Below are additional tax relief provisions included in the Recovery Act:

- Money back for new vehicle purchases: Taxpayers who buy certain new vehicles in 2009 can deduct the state and local sales taxes they paid.
- Increased transportation subsidy. Employer-provided benefits for transit and parking are up in 2009.
- Up to \$2,400 in unemployment benefits tax free in 2009. Individuals should check their tax withholding.
- Net operating loss carryback. Small businesses can offset losses by getting refunds on taxes paid up to five years ago. Information on the carryback, an expanded section 179 deduction and other business-related provisions is now available.
- COBRA: Health insurance continuation subsidy. The IRS has extensive guidance for employers, including an updated Form 941, as well as information for qualifying individuals.
- First-time homebuyer credit expands. Homebuyers who purchase in 2009 can get a credit of up to \$8,000 with no payback requirement.
- Enhanced credits for tax years 2009, 2010. Details available on the earned income tax credit, additional child tax credit and American Opportunity Credit, a new higher education benefit.
- \$250 for Social Security recipients, veterans and railroad retirees. The Economic Recovery Payment will be paid by the Social Security Administration, Department of Veterans Affairs and the Railroad Retirement Board.

For more information on the First District's and Mississippi's share of Recovery Act funds, visit Congressman Childers' North Mississippi Recovery Tracker at <http://www.childers.house.gov/> .

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